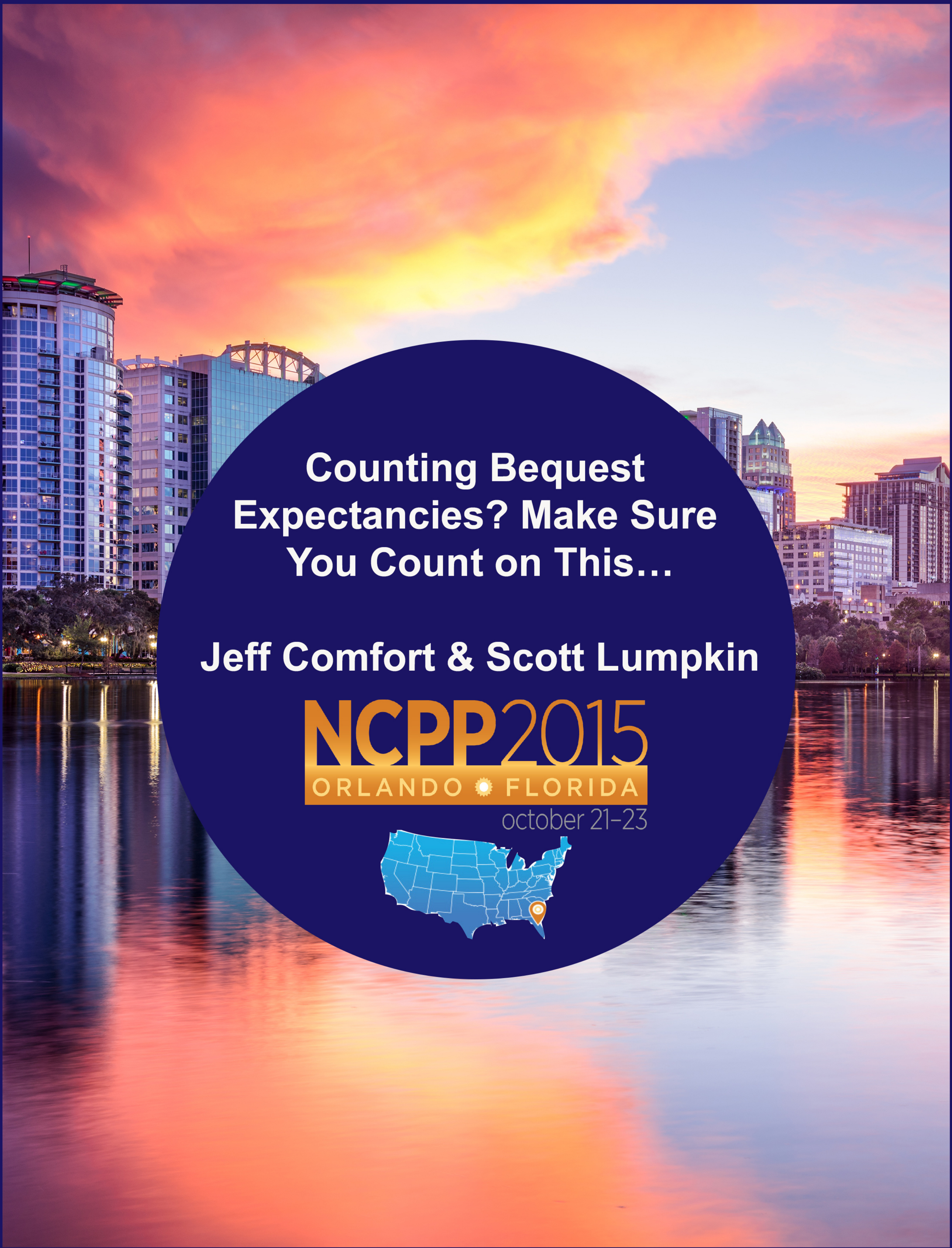

Counting Bequest Expectancies? Make Sure You Count on This…

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NCPP2015
ORLANDO FLORIDA
october 21–23

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Counting bequest expectancies (or *bequest commitments*) in fundraising campaigns can be a powerful way of recognizing the impact of planned gifts and the donors who make them, communicating the importance of gift planning as an integral element of comprehensive development programs, and closing larger, better gifts over time. Today, more nonprofit organizations count bequest expectancies than ever before, thanks in large part to counting guidelines that were published in 2005 by the Partnership for Philanthropic Planning (*then* the National Committee on Planned Giving) that provided a rational methodology for counting all gifts and commitments received by charities, including both outright gifts and future gifts/commitments.

What have we learned over the past ten years? This paper looks at the PPP Counting Guidelines in retrospect and provides a ten-year historical perspective based on actual experience from two leading universities that actively counted bequest expectancies during comprehensive campaigns that were planned, launched and completed between 2005 and 2015. It covers a series of key lessons learned along the way that should be of use to any charity that is currently counting bequest expectancies or thinking about doing so. It projects the future, both in terms of opportunities and challenges, which result from counting bequests. It analyzes the actual impact of counting bequests in the context of two major fundraising campaigns and makes strategic recommendations for preparing for the next campaign after having counted bequests in an initial campaign. The result is a comprehensive, case-based analysis: ***Counting Planned Gifts…Ten Years Later and More***.

The Counting Guidelines in Retrospect

Reporting fundraising results accurately and fairly has been recognized as an important priority for nonprofit organizations since the early 1900's. As nonprofits became actively engaged in fundraising, governing boards, constituents and the public demanded transparency and accountability of fundraising campaigns. Ultimately, a demand for standards that could be used to benchmark fundraising results led to the development of the first industry-wide reporting standards, published in 1979 by the Council for the Advancement and Support of Education. CASE's *Management and Reporting Standards* provided a common set of definitions and procedures for reporting the results of fundraising activities at educational institutions. The CASE Standards largely limited fundraising reports to outright contributions received for an organization's immediate use, whether for current operations or for capital or endowment purposes. They did not provide any mechanism for reporting charitable commitments that would have a future impact on a nonprofit. Although the CASE Standards were designed specifically for use by educational institutions, over time they became the recognized standard for nonprofits throughout the United States for how to count and report fundraising results.

Counting Standards History

- 1979 - CASE Reporting Standards (1st ed.)
- 1996 – CASE Reporting Standards (2nd ed.)
- 2003 – CASE Reporting Standards (3rd ed.)
- 2004 - PPP Planned Gift Valuation Standards
- 2005 - PPP Gift Counting Guidelines
- 2009 - CASE Revised Reporting Stds (4th ed.)

With the explosion of planned giving programs in the late 1980's at colleges, universities and healthcare institutions, followed in turn by the widespread development of planned giving programs at a full range of charities across the U.S. in the 1990's, charities expressed growing interest in the availability of accepted methods for recognizing and reporting planned gifts, including bequest commitments/expectancies, in addition to current gifts. The Partnership for Philanthropic Planning responded by developing and publishing its *Guidelines for Reporting and Counting Charitable Gifts* in 2005, providing clear standards for reporting and counting all gifts received through a nonprofit's fundraising efforts. CASE followed in 2009 when it released the *Fourth* Edition of its standards, renamed as the CASE *Reporting Standards and Management* Guidelines, which largely mirrored PPP's guidelines. A number of underlying principles are common to the PPP and CASE guidelines, including the following:

- "That all gifts, regardless of how they are counted, made, and realized, bring value to the institution, and information about them, even if they fall outside of IRS recognition, is vital for strategic planning;"
- "And finally, that standards are important to the profession because they contribute to clarity, transparency, consistency, and accountability in the way institutions report their campaign activities and successes."

CASE *Reporting Standards and Management Guidelines* (4th ed.)

PPP's Guidelines for Counting and Reporting Charitable Gifts

The Partnership for Philanthropic Planning's guidelines recommended reporting gifts in three categories:

- Outright
- Future revocable
- Future irrevocable

Key Principles drove the development and recommended application of PPP's Guidelines:

- Clarity, Transparency, Consistency, Accountability
- Count and report clearly all gifts and commitments
- Acknowledge the donor's perspective
- Assist charities with setting fundraising goals & promoting gift opportunities

What Shaped PPP's Counting Guidelines?

PPP's Counting Guidelines were developed at a time of active public debate about the merits and drawbacks of counting planned gifts, especially planned gifts that would not be made fully available for the recipient charity's use until some time in the future. Many leading charities held to a historic emphasis on cash gifts, although this changed rapidly in the 1990's with the advent of mega-campaigns that relied increasingly on planned gifts to achieve campaign success. The changing design and composition of fundraising campaigns shifted the focus of fundraising report standards from benchmarking to recognition of fundraising results, paving the way for an expansion of campaign reporting standards to allow broad reporting of gifts and commitments. Since 2005, a growing number of charities have revised their gift reporting policies accordingly and utilized them in fundraising campaigns.

A Historical Perspective: 2005-2015

Ten years have elapsed since PPP published its Counting Guidelines. Much has changed during this period. Today, a majority of charities consistently indicate that they count and report irrevocable planned gifts such as charitable gift annuities and charitable remainder trusts, as well as bequest commitments that are revocable, although such expectancies are generally only counted for donors near or beyond age 60 or 65. Fundraising campaigns now consistently report results in at least two categories, distinguishing between current and future gifts. And although the worldwide economic crash of 2008-9 led some charities to cut resources devoted to gift planning, a number of charities have thrived in spite of the crash and resulting economic slowdown. They have done so by using the expanded gift reporting guidelines to foster conversations with prospective donors that are more donor-centered, flexible, comprehensive, meaningful and impactful. For a number of organizations, the expanded gift reporting guidelines have been the key to *maximizing fundraising results and donor satisfaction*.

Results and Impact of the Counting Guidelines

PPP's Guidelines for Reporting and Counting Charitable Gifts have generated a number of high-level benefits for nonprofits and donors.

- Greater clarity and transparency with reporting planned gifts
- Greater recognition of the role and impact of planned giving
- Expanded donor conversations
- Increased fundraising goals and results
- Increased recognition of planned gift donors

Bottom Line Gift Planning Productivity

How do the Counting Guidelines come into play when assessing the bottom line productivity of gift planning offices or individual planned- and major gift officers? The answer lies in the metrics used to evaluate their success.

1. Estate Distributions from Deceased Donors
2. Irrevocable Life Income Gifts
3. Bequest Commitments
4. Outright Gifts, Most Typically of Complex Assets

Distributions from the estates of gift planning donors have historically represented the mainstay of many gift planning programs. It is not unusual for estate distributions to represent 70% *to 90% of Bottom Line* Gift Planning Productivity. With some exceptions, irrevocable life income gifts have generally represented 10% to 20% of bottom line gift planning productivity. Counting life income gifts is similar to the decision to count bequest expectancies, in the sense that the impact of both types of gifts is delayed until some future time (or *deferred*, to use a popular term from the 1960's and 1970's when *deferred gifts* was the common term for such gifts). And although some life income gifts are in made in lieu of a bequest, most are not. While life income gifts are certainly important, for most organizations bequest commitments exceed life income gifts by multiple factors of ten. This paper focuses on the contribution of bequest commitments to bottom line productivity, specifically, closed and counted bequest commitments as reflected in two case studies from universities that implemented comprehensive campaigns between 2005 and 2015, Oregon State University and the University of Denver.

Case Studies: Counting Planned Gifts in Two University Campaigns

Case Study #1: Oregon State University

The Campaign for OSU (2005-2014)

Counting Policies for Planned Gifts:

- **Bequest Commitments counted at face value for donors age 70 and above by the end of the campaign.**
- **Life income gifts counted at face value.**

Campaign Summary:

- **Total Gifts & Commitments: $1.19 Billion**
- **Total Bequest Commitments: $123 million (10%)**
- **Total Bequest Commitment Donors: 250**
- **Total Actual Realized Estate Distributions: $103 million (8.5%)**

Case Study #2: University of Denver

ASCEND Campaign (2006-2014)

Counting Policies for Planned Gifts

- **Bequest Commitments counted at face value for donors age 60 and above by the end of the campaign.**
- **Life income gifts counted at face value**

Campaign Summary:

- **Total Gifts & Commitments: $488 million**
- **Total Bequest Commitments: $104 million (21%)**
- **Total Bequest Commitment Donors: 288**
- **Total Actual Realized Estate Distributions: $40 million (8%)**

What Have We Learned?

Counting bequest commitments had a significant impact on both campaigns, more so in relative terms on the University of Denver's *ASCEND* Campaign since the Counting Guidelines were implemented beginning with the campaign's quiet phase, while Oregon State didn't actively promote counting bequest commitments until the public phase of its campaign. Nevertheless, the impact at both institutions was significant. Perhaps most importantly, the impact of counting bequests was felt by donors and development officers in the form of increased donor satisfaction and enhanced development officer productivity.

Key lessons learned include the following:

- Counting planned gifts promotes conversations about planned gifts, which increases fundraising results.
- It gives donors more options for achieving philanthropic objectives
- It gives major gift officers new tools for meaningful donor conversations
- It promotes collaboration between planned & major gift efforts

Beyond the bottom line of fundraising totals, counting bequest commitments produced an array of transformational results in the campaigns at Oregon State and Denver:

- Greater donor-centered philanthropy
- More effective & meaningful gifts
- Fundraising efforts become more comprehensive
- Institutional views of fundraising become less short-sighted
- New opportunities for encouraging philanthropy

Were expectations surrounding the decision to count bequest commitments realized? In general, the answer is 'yes'. Counting bequest commitments produced more donors, more dollars, more planned gifts and more meaningful gifts. It also resulted in greater donor satisfaction, increased attention on gift planning, and diversified fundraising efforts. And it prompted new conversations about fundraiser metrics.

In both cases, however, there were a number of unintended consequences that stemmed from the decision to count bequest commitments:

- Enabling fundraisers to go for the easier gift
- Reducing donor motivation to make outright gifts
- Confusion about when the impact of planned gifts will be felt
- Conflating current and future gifts

While none of these were so problematic as to make either Oregon State or Denver question the decision to count bequest commitments, they did represent significant enough issues that they merited adjustments in gift officer metrics, campaign reports and conversations with donors.

The Dawn of Blended and Principal Gifts

Over the past ten years, growing adoption of policies that allow counting bequest commitments has fueled a dramatic exciting rise in blended and principal gifts…a new era in fundraising. The resulting impact on charities across the U.S. has been profound.

Before 2005, the term ‘principal gifts’ was common only at a small number of institutions, generally elite universities, while ‘blended gifts’ was virtually nonexistent in the lexicon of fundraising terms. But with the advent of policies that made it possible to count bequest commitments, gift planning offices suddenly had a powerful, yet simple, tool for integrating planned and major gifts. Major gift officers could now receive performance credit for closing a bequest commitment. And they could maximize the total impact of a donor’s philanthropy by combining current and future gift commitments. Similarly, principal gift programs, which were generally developed by experienced gift planners and focused on transformational gifts of assets, became commonplace as organizations had the ability, often for the first time, to recognize both current- and future-gifts of assets *at the time of the commitment*. The result was that principal gift donors received recognition based on their entire commitment, not simply the current gift portion.

Today, conversations with prospective donors about blended and principal gifts occur on an intentional and consistent basis, and continue to shape comprehensive fundraising efforts at organizations nationwide.

The Impact of Counting Bequest Commitments on Blended and Principal Gifts

- The ability to count revocable gifts . . .
  - Facilitates bigger, broader, more effective and creative conversations with donors
  - Greatly enhances the ability to close bigger gifts through blended and principal gifts.
- Most blended gifts are on the higher end of major gifts
- Almost all principal gifts are blended gifts
- Blended gifts expand principal gift principles down the gift pyramid

What About the Future?

Some of the most important, and lease obvious, considerations around counting bequests relate to the future. Insights gained from Oregon State University and the University of Denver make it clear that organizations that decide to count bequest commitments should consider the future implications of doing so. The future implications of counting bequest commitments are every bit as important as the benefits and considerations of doing so in current fundraising campaigns. A number of questions and potential issues emerge:

- ***How will estate distributions that fulfill bequest commitments from an earlier campaign be treated for reporting and recognition purposes when received in future campaigns?***
  - Generally accepted reporting principles prohibit double counting for institutional reports of fundraising results. At the same time, it is vital that organizations report and recognize the impact of all estate distributions upon receipt, emphasizing that earlier donor commitments have now fully

matured, with the resulting impact on the institution as intended by the donor.

- ***How will counting bequest commitments today impact the pool of potential bequest commitments in future campaigns?***
    - Many organizations are counting bequest commitments for the first time ever, and are finding a mother lode of opportunities provided by years of previously uncounted bequest commitments that can now be counted. This provides a wonderful opportunity today but it is also likely to present significant issues for future campaigns, especially if the organization doesn't recognize the need to ramp up efforts to cultivate planned gifts from younger donors (i.e. below the organization's age minimum for counting bequest commitments) to replenish the pool of potential bequest commitments.
    - This may also have implications on the age minimum that an organization sets for counting bequest commitments, <u>and</u> for how that age minimum is applied. For example, instead of counting bequest commitments from donors who will reach age 60 by the end of the campaign, it may decide to count bequest commitments only from individuals when they turn 65 or 70 during the course of the campaign. Doing so would help preserve an ongoing flow of potential bequest commitment donors on the younger end, although it would still be just as important to devote significant, ongoing energy and resources to replenishing the pool of potential bequest commitment donors, much as a fishing pond is re-stocked on a regular basis.
- ***How will gift planners communicate with fundraising leaders and institutional leadership about the "See-Saw Effect" that inevitably occurs when larger bequest commitments are counted in the early years of a campaign, followed by lower fundraising results in later years?***
    - Understanding where an institution falls in the counting cycle (first time, early stage, mid-course, replenishing) is critical to informed conversations about the long-term potential of gift planning and what it takes to sustain a healthy gift planning program in terms of dedicated staffing and financial

resources. Gift planning has always been about the long-term. Counting policies that promote bequest commitments underscore this truth, which, if ignored, represents potential peril to gift planners and fundraising leaders alike.

- ***What about estate distributions that are received during the same campaign that the bequest commitment was made?***
    - Such distributions should not be counted a second time in the same campaign. As noted above, institutions must find creative ways of recognizing and celebrating the impact of estate distributions that fulfill prior bequest commitments, if for no other reason than to recognize the departed donor's generosity and its present impact on the institution. Just as important, however, is the need to find ways to report the impact of such estate distributions to institutional leaders, governing boards, and the organization's broader constituents. One answer may lie in reporting such estate distributions via a "below the line" total (i.e. apart from reports of new gifts and commitments). Of course, telling the story of a donor whose estate gift has a particularly compelling or interesting impact is always a good idea, but conveying the overall magnitude of the impact that estate distributions have on an organization, whether counted previously or not, sends an important message about the importance of a long-term, sustained commitment to a robust gift planning effort.
- ***How should counting bequests shape the ongoing relationship of Gift Planning to major gift officers?***
    - Major gift officers are generally taught to be transactional, opportunistic in a good sense, and focused on dollars raised in the short-run. Sustaining the leverage that is possible from integrating planned and major gift efforts will occur only if gift planning offices actively engage with major gift officers through training programs that provide conversational gift planning tools and through the continued use of fundraiser productivity metrics that encourage and reward securing gift planning commitments.

Where Do We Go From Here?

Counting bequest commitments has transformed fundraising programs large and small. The authors resoundingly applaud this transformation, having seen the demonstrated, beneficial results of doing so, and remain enthusiastic proponents of counting policies that encourage bequest commitments. But counting bequests should not be viewed discretely, without simultaneously considering the future and committing to continuously promoting the importance of bequests to future generations of donors.

The power of expanded counting policies is not limited recognizing meaningful commitments today that will impact a charity tomorrow. They also reinforce the fundamental nature of gift planning: *utilizing a full spectrum of options that look across a lifetime of giving to enable donors to maximize the impact of their philanthropy.*

Resources

Guidelines for Reporting and Counting Planned Gifts http://www.pppnet.org/#!ppp-g-r-c-c-g/c69c

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